

AR37

# Prairie Oil Royalties

COMPANY, LTD.



ANNUAL REPORT

1978

## Directors

- \*Donald D. Barkwell                      Calgary, Alberta  
*Senior Vice-President, Natural Resources*  
*Norcen Energy Resources Limited*
- \*Edward A. Galvin                      Calgary, Alberta  
*President*  
*Poco Oil Ltd.*
- Wilfrid A. Loucks                      Calgary, Alberta  
*Vice-President, Minerals*  
*Norcen Energy Resources Limited*
- \*Frederick A. McKinnon                  Calgary, Alberta  
*Director of various companies*
- Clifford A. Rae                      Calgary, Alberta  
*Barrister & Solicitor*  
*Macleod Dixon,*  
*Barristers & Solicitors*
- David M. Tyerman, Q.C.      Regina, Saskatchewan  
*Barrister & Solicitor*  
*MacPherson, Leslie & Tyerman*  
*Barristers & Solicitors*

\*Member of the Audit Committee

## Officers

- Donald D. Barkwell                      *President*  
*Senior Vice-President, Natural Resources*  
*Norcen Energy Resources Limited*
- Richard S. Buckland      *Vice-President, Exploration*  
*General Manager, Canadian Exploration*  
*Norcen Energy Resources Limited*
- William C. Hennenfent      *Vice-President, Production*  
*Vice-President, Production*  
*Norcen Energy Resources Limited*
- David M. Tyerman, Q.C.                      *Secretary*  
*Barrister & Solicitor*  
*MacPherson, Leslie & Tyerman*  
*Barristers & Solicitors*
- A. Kenneth Davies                      *Treasurer*  
*Assistant Treasurer*  
*Norcen Energy Resources Limited*
- William T. Kilbourne                      *Assistant Secretary*  
*Vice-President, Administration and Secretary*  
*Norcen Energy Resources Limited*
- Russell G. Rennie                      *Assistant Secretary*  
*Assistant Secretary*  
*Norcen Energy Resources Limited*

## DESCRIPTION OF BUSINESS

Prairie Oil Royalties Company, Ltd. was incorporated July 13, 1951 under the laws of the Province of Saskatchewan, Canada. The Company produces and sells crude oil, gas liquids and natural gas in Western Canada and is engaged in oil and gas exploration and development in Western Canada and the Canadian Arctic.

## ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of Shareholders of the Company will be held on Monday, April 30, 1979 at 10:30 o'clock in the forenoon, local time, in the Board Room of Norcen Energy Resources Limited, 32nd Floor, 715 - 5th Avenue S.W., Calgary, Alberta, Canada T2P 2X7. Shareholders are encouraged to attend the meeting but those unable to do so are asked to sign and return the form of proxy mailed with this report.

## Executive Office

715 - 5th Avenue S.W., Calgary, Alberta T2P 2X7

## Registered Office

2161 Scarth Street, Regina, Saskatchewan S4P 2V4

## Auditors

Thorne Riddell & Co., Calgary, Alberta

## Registrars & Transfer Agents

Canada Permanent Trust Company,  
Regina, Saskatchewan, and Toronto, Ontario

Morgan Guaranty Trust Company of New York,  
New York, N.Y.

## Stock Exchange Listings

Toronto Stock Exchange, Toronto, Ontario  
American Stock Exchange, New York, N.Y.



# Directors' Report to the Shareholders

## FINANCIAL

Revenue, cash flow and net income reached record high levels again in 1978. Revenue totalled \$4,325,000, an increase of \$884,000 or 26 percent over 1977 revenue. This increase resulted from a nominal increase in oil production, a substantial increase in natural gas production and further increases in the prices received for oil and natural gas. Cash flow was \$4,112,000 or \$2.10 a share, compared to \$2,700,000 or \$1.38 a share in 1977. Net income was \$2,159,000 or \$1.10 a share, compared to net income in the same period last year of \$1,752,000 or 89c a share.

In note 3 to the financial statements reference is made to The Oil Well Income Tax Act, 1978, which was proclaimed by the Province of Saskatchewan on September 1, 1978 and made retroactive to January 1, 1974. The note also refers to a proposal made by the government with respect to the settlement of liabilities for the retroactive period ending August 31, 1978. After that date the full provisions of the Act will apply.

The legislation is particularly severe in its application to royalty income and since almost all of the Company's Saskatchewan revenue is from royalties, the Act's provisions, in their present form, will result in the virtual elimination of the Company's cash flow from its operations in that province in 1979 and subsequent years. Had the legislation not been introduced, 1979 estimated gross royalty income from Saskatchewan would be approximately \$966,000 after tax. With the passing of the legislation, the 1979 gross royalty income will be approximately \$114,000, a net reduction of \$852,000. Gross royalty income for 1978 is \$254,000 less than it would have been without this legislation.

The government of Saskatchewan has been advised of the impact of this legislation on the Company's royalty income from the province and is considering what action, if any, might be taken to alleviate this impact. The Company will continue in its efforts to obtain some relief from the provisions of this legislation.

## PRODUCTION

Average daily production for 1978 before deducting royalties was 591 barrels of oil and gas liquids and 6,940 Mcf of gas, compared to 562 barrels and 5,792 Mcf in 1977. The increase in oil production resulted from slightly higher production from the Company's royalty interest lands in the Province of Saskatchewan, the completion of a second well at Cherhill, Alberta and commencement of year-round production from a well on acreage in which the Company has a 50 percent interest at Beaton in Northeastern British Columbia.

Improved plant facilities at Big Bend, further development drilling at Verger and the installation of field compression facilities in the Ghost Pine Unit, all in Alberta, combined to produce a 20 percent increase in the Company's production of natural gas during 1978.

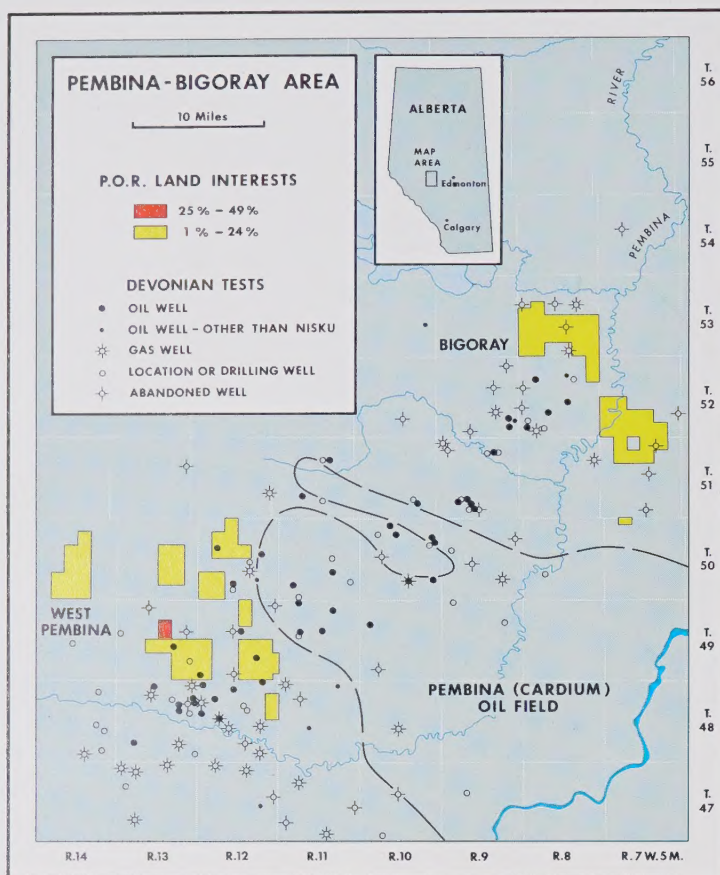
The price of Western Canadian crude oil increased \$1.00 a barrel on January 1, 1978 and again on July 1, 1978. The average price received by the Company for crude oil production in 1978 was \$11.39 a barrel, compared to \$8.96 in 1977. The average price for natural gas increased from \$1.28 an Mcf in 1977 to \$1.52 an Mcf in 1978.

## EXPLORATION AND DEVELOPMENT

### Drilling

During the year the Company participated in the drilling of 37 (7.46 net) wells which resulted in 4 oil (.48 net) wells and 12 gas (2.07 net) wells. This activity is summarized in the following chart.

| Wells Drilled | 1978      |             | 1977      |             |
|---------------|-----------|-------------|-----------|-------------|
|               | Gross     | Net         | Gross     | Net         |
| Exploratory   |           |             |           |             |
| Oil           | 4         | .48         | 2         | .42         |
| Gas           | 6         | 1.53        | 5         | 1.17        |
| Dry           | 21        | 4.91        | 13        | 3.21        |
|               | <u>31</u> | <u>6.92</u> | <u>20</u> | <u>4.80</u> |
| Development   |           |             |           |             |
| Oil           | —         | —           | 1         | .50         |
| Gas           | 6         | .54         | 29        | 7.58        |
| Dry           | —         | —           | 1         | .56         |
|               | <u>6</u>  | <u>.54</u>  | <u>31</u> | <u>8.64</u> |



### West Pembina

The accompanying map shows the results of exploratory drilling on lands in which the Company has interests in the West Pembina area of Central Alberta. A total of 4 Nisku oil wells have been completed on these lands the most recent being Chevron NorcenPL WestPem 11-11-49-12 W5 which, on an extended production test, flowed at rates as high as 3,940 barrels a day of light crude oil and 2,390 Mcf a day of sweet gas. This well has 322 feet of net oil pay. Two earlier completions, Chevron NorcenPL Brazeau 5-6-49-12 W5 and Chevron NorcenPL WestPem 5-14-49-13 W5, flowed on production tests at daily rates up to 4,200 and 2,315 barrels of light crude oil respectively. The latter well also produced gas at a rate of 12,400 Mcf a day. Pay thickness from these two wells has not been announced. A fourth well completed on these lands contained a thin Nisku oil pay zone of 36 feet.

Detailed seismic has been recently completed in the area and a fifth well, Chevron

NorcenPL West Pem 7-12-49-13 W5, is currently drilling. The Company has a 5% interest in each of the wells mentioned.

### Taber

At Taber, in southern Alberta, the Company has a 27.5% interest in an exploratory test that flowed oil at rates of up to 250 barrels a day on production tests. This discovery has been offset by two dry holes but will be further evaluated by offset drilling in 1979.

### Verger

The drilling of 6 wells in the Verger area during 1978 marked the completion of a major expansion of the shallow gas project in the Verger field. The Company's share of production from the field averaged 1,600 Mcf a day during 1978, an increase of 625 Mcf a day over 1977 average daily production. Further drill-

ing will be carried out in this area in 1979 in order to maintain production at levels necessary to meet contract commitments.

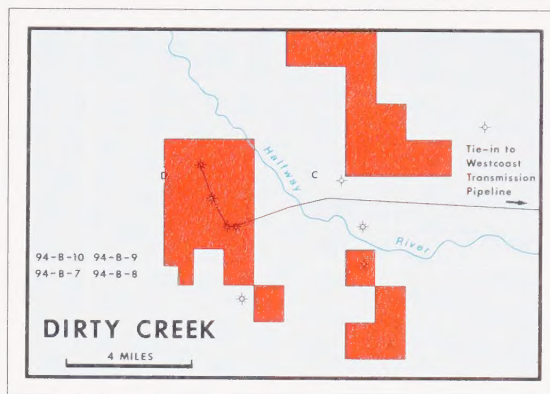
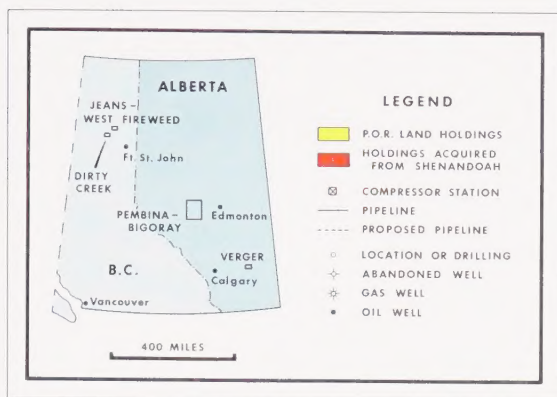
### Big Bend

Improved plant and compression facilities installed in the Big Bend area in 1977 raised the Company's share of production in 1978 by an average of 675 Mcf a day. Another 2 wells will be connected to the gathering system in this area in 1979 to offset normal production declines.

### Arctic Islands

In the Arctic Islands the well Phillips Aquitaine et al Hazen F54 is currently drilling. The projected depth for this test well is 9,500 feet and the Company owns an interest of 6.1765% in the well and in the 931,364 acre spread on which it is located.

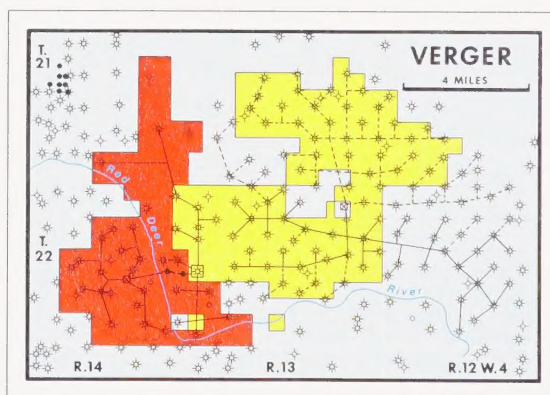
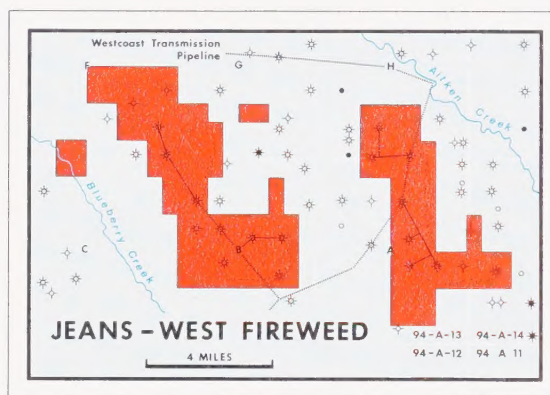




## PROPERTY ACQUISITIONS

In November of 1978 the Company, with Norcen Energy Resources Limited and another partner, purchased all of the Canadian oil and gas properties of Shenandoah Oil Corporation of Fort Worth, Texas. The Company's interest in this transaction is 25% and its share of the total purchase price was \$11,825,000.

The properties shown on the accompanying maps are among those acquired in the transaction and are of particular interest at this time. The new properties acquired in the Verger area will complement the Company's existing holdings in the area and will increase the Company's share of natural gas from that field. Construction of a natural gas pipeline from the properties acquired at Dirty Creek in British Columbia to the main line of Westcoast Transmission Ltd. has been completed and deliveries are expected to commence during 1979. The properties shown on the map of the Jeans-Fireweed area of British Columbia are producing natural gas at the present time. The purchase also includes interests in producing properties at Yoyo in British Columbia and Netook in Alberta and in exploratory lands in Alberta, British Columbia, the Yukon, the Northwest Territories and Ontario.



## SUMMARY OF OIL AND GAS PROPERTIES ACQUIRED FROM SHENANDOAH OIL CORPORATION

|                             | Leases and Permits |               |
|-----------------------------|--------------------|---------------|
|                             | Gross Acres        | Net Acres     |
| Alberta .....               | 410,388            | 13,360        |
| British Columbia .....      | 129,566            | 8,020         |
| Northwest Territories ..... | 171,108            | 8,644         |
| Yukon Territories .....     | 37,697             | 785           |
| Ontario .....               | 4,348              | 816           |
| Saskatchewan .....          | 8,080              | 780           |
|                             | <u>761,187</u>     | <u>32,405</u> |

## RESERVES

Estimated reserves at December 31, 1978, before royalties, were 2.4 million barrels of crude oil and natural gas liquids and 77.8 billion cubic feet of natural gas. These estimates have been calculated by engineers of the parent company, Norcen Energy Resources Limited, and do not include the Company's share of reserves of natural gas in the Arctic Islands.

## OIL AND GAS LANDHOLDINGS

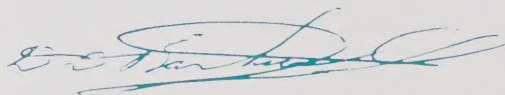
At December 31, 1978, the Company owned interests in 4,024,801 gross (353,799 net) acres compared to 3,339,042 gross (345,244 net) acres at the end of the prior year. These landholdings are shown in detail in the following summary.

|                             | Leases           |                | Reservations,<br>Permits &<br>Licences |                | Total            |                |
|-----------------------------|------------------|----------------|--|----------------|------------------|----------------|
|                             | Gross<br>Acres   | Net<br>Acres   | Gross<br>Acres                         | Net<br>Acres   | Gross<br>Acres   | Net<br>Acres   |
| British Columbia .....      | 121,714          | 7,599          | 8,371                                  | 628            | 130,085          | 8,227          |
| Alberta .....               | 1,010,758        | 162,335        | 185,440                                | 24,815         | 1,196,198        | 187,150        |
| Saskatchewan .....          | 92,968           | 35,700         | —                                      | —              | 92,968           | 35,700         |
| Manitoba .....              | 72,642           | 20,929         | —                                      | —              | 72,642           | 20,929         |
| Ontario .....               | 4,348            | 816            | —                                      | —              | 4,348            | 816            |
| Arctic Islands .....        | 72,407           | 2,280          | 2,063,692                              | 83,484         | 2,136,099        | 85,764         |
| Banks Island .....          | —                | —              | 183,656                                | 5,785          | 183,656          | 5,785          |
| Yukon Territory .....       | 37,697           | 785            | —                                      | —              | 37,697           | 785            |
| Northwest Territories ..... | 171,108          | 8,643          | —                                      | —              | 171,108          | 8,643          |
|                             | <u>1,583,642</u> | <u>239,087</u> | <u>2,441,159</u>                       | <u>114,712</u> | <u>4,024,801</u> | <u>353,799</u> |

In addition to the above, royalty interests are held in 209,199 acres.

Calgary, Alberta  
April 3, 1979

On Behalf of the Board



D. D. Barkwell  
President



## BALANCE SHEET

as at December 31, 1978 and 1977

### Assets

#### CURRENT ASSETS

|                                   | 1978             | 1977             |
|-----------------------------------|------------------|------------------|
| Cash and deposits .....           | \$ 4,785,258     | \$ 8,524,680     |
| Accounts receivable .....         | 961,463          | 681,484          |
| Income taxes recoverable .....    | 710,996          | 97,033           |
| Drilling and other deposits ..... | 69,711           | 52,449           |
|                                   | <u>6,527,428</u> | <u>9,355,646</u> |

|  |                     |                     |
|--|---------------------|---------------------|
| PROPERTIES, PLANT AND EQUIPMENT (note 2) ..... | 16,415,989          | 10,079,288          |
|  | <u>\$22,943,417</u> | <u>\$19,434,934</u> |

### Liabilities

#### CURRENT LIABILITIES

|                             |                  |                |
|-----------------------------|------------------|----------------|
| Accounts payable .....      | \$ 744,421       | \$ 753,933     |
| Due to parent company ..... | 113,946          | 179,204        |
| Deferred revenue .....      | 197,885          | —              |
|                             | <u>1,056,252</u> | <u>933,137</u> |

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| DEFERRED INCOME TAXES ..... | <u>4,394,337</u> | <u>3,167,800</u> |
|-----------------------------|------------------|------------------|

### Shareholders' Equity

#### CAPITAL STOCK

|                        |           |           |
|------------------------|-----------|-----------|
| Issued                 |           |           |
| 1,961,520 shares ..... | 1,961,520 | 1,961,520 |

|                           |         |         |
|---------------------------|---------|---------|
| CONTRIBUTED SURPLUS ..... | 574,330 | 574,330 |
|---------------------------|---------|---------|

|                         |                     |                     |
|-------------------------|---------------------|---------------------|
| RETAINED EARNINGS ..... | 14,956,978          | 12,798,147          |
|                         | <u>17,492,828</u>   | <u>15,333,997</u>   |
|                         | <u>\$22,943,417</u> | <u>\$19,434,934</u> |

Approved by the Board:

D. D. Barkwell, Director

W. A. Loucks, Director

## STATEMENT OF INCOME

years ended December 31, 1978 and 1977

|                                  | <u>1978</u>         | <u>1977</u>         |
|----------------------------------|---------------------|---------------------|
| REVENUE                          |                     |                     |
| Oil and gas sales .....          | \$ 2,719,342        | \$ 1,748,294        |
| Royalties .....                  | 930,247             | 982,806             |
| Interest .....                   | 674,985             | 710,169             |
|                                  | <u>4,324,574</u>    | <u>3,441,269</u>    |
| EXPENSES                         |                     |                     |
| Production .....                 | 420,663             | 321,517             |
| Depletion .....                  | 556,087             | 364,387             |
| Depreciation .....               | 170,566             | 74,551              |
| General and administrative ..... | 216,091             | 188,107             |
|                                  | <u>1,363,407</u>    | <u>948,562</u>      |
| Income before income taxes ..... | <u>2,961,167</u>    | <u>2,492,707</u>    |
| Income taxes (recovery)          |                     |                     |
| Current .....                    | (424,201)           | 231,867             |
| Deferred .....                   | 1,226,537           | 509,000             |
|                                  | <u>802,336</u>      | <u>740,867</u>      |
| NET INCOME .....                 | <u>\$ 2,158,831</u> | <u>\$ 1,751,840</u> |
| EARNINGS PER SHARE .....         | <u>\$1.10</u>       | <u>\$0.89</u>       |

## STATEMENT OF RETAINED EARNINGS

years ended December 31, 1978 and 1977

|                                    | <u>1978</u>         | <u>1977</u>         |
|------------------------------------|---------------------|---------------------|
| BALANCE AT BEGINNING OF YEAR ..... | \$12,798,147        | \$11,046,307        |
| Net income .....                   | 2,158,831           | 1,751,840           |
| BALANCE AT END OF YEAR .....       | <u>\$14,956,978</u> | <u>\$12,798,147</u> |



## STATEMENT OF CHANGES IN FINANCIAL POSITION

years ended December 31, 1978 and 1977

|                                       | <u>1978</u>         | <u>1977</u>         |
|---------------------------------------|---------------------|---------------------|
| SOURCE OF FUNDS                       |                     |                     |
| Operations .....                      | \$ 4,112,021        | \$ 2,699,778        |
| APPLICATION OF FUNDS                  |                     |                     |
| Properties, plant and equipment ..... | <u>7,063,354</u>    | <u>3,159,384</u>    |
| DECREASE IN FUNDS .....               | (2,951,333)         | (459,606)           |
| FUNDS AT BEGINNING OF YEAR .....      | <u>8,422,509</u>    | <u>8,882,115</u>    |
|                                       | <u>\$ 5,471,176</u> | <u>\$ 8,422,509</u> |
| SUMMARY OF FUNDS                      |                     |                     |
| Current assets .....                  | \$ 6,527,428        | \$ 9,355,646        |
| Current liabilities .....             | <u>1,056,252</u>    | <u>933,137</u>      |
| FUNDS AT END OF YEAR .....            | <u>\$ 5,471,176</u> | <u>\$ 8,422,509</u> |

## Auditors' Report

TO THE SHAREHOLDERS OF  
PRAIRIE OIL ROYALTIES COMPANY, LTD.

We have examined the balance sheet of Prairie Oil Royalties Company, Ltd. as at December 31, 1978 and 1977 and the statements of income, retained earnings and changes in financial position for the years then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1978 and 1977 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Canada  
February 2, 1979  
(March 8, 1979 with respect to notes 3 and 5)

THORNE RIDDELL & CO.  
Chartered Accountants

## Notes to 1978 and 1977 Financial Statements

### NOTE 1 ACCOUNTING POLICIES

#### (a) Depletion

The Company follows the "full-cost method" of accounting whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized, and depleted on the composite unit-of-production method, based on total estimated recoverable reserves.

#### (b) Depreciation

Depreciation of plant and equipment is provided at rates which will amortize original costs over the estimated useful lives of the respective assets.

#### (c) Income Taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in its accounts. Under this method the Company provides for deferred income taxes to the extent that income taxes otherwise payable are eliminated by claiming exploration and development costs and capital cost allowances in excess of the related depletion and depreciation provisions reflected in its accounts.

### NOTE 2 PROPERTIES, PLANT AND EQUIPMENT

|  | Cost                | Accumulated<br>Depletion<br>and<br>Depreciation | Net                 |
|--|---------------------|---|---------------------|
| <b>December 31, 1978</b>               |                     |   |                     |
| Oil and gas properties .....           | \$17,375,040        | \$3,533,843                                     | \$13,841,197        |
| Oil and gas production equipment ..... | 3,367,489           | 792,697   | 2,574,792           |
|  | <u>\$20,742,529</u> | <u>\$4,326,540</u>                              | <u>\$16,415,989</u> |
| <b>December 31, 1977</b>               |                     |   |                     |
| Oil and gas properties .....           | \$11,327,849        | \$2,977,756                                     | \$ 8,350,093        |
| Oil and gas production equipment ..... | 2,351,325           | 622,130   | 1,729,195           |
|  | <u>\$13,679,174</u> | <u>\$3,599,886</u>                              | <u>\$10,079,288</u> |

### NOTE 3 SASKATCHEWAN ROYALTIES AND TAXES

In 1973 the Province of Saskatchewan introduced legislation, effective January 1, 1974, providing for the payment of mineral income taxes and royalty surcharge on all oil produced from wells in the Province. The Company has made full provision in the accounts for liabilities for the period January 1, 1974 to August 31, 1978 under this legislation.

The Company's parent, Norcen Energy Resources Limited ("Norcen") successfully challenged the constitutionality of the legislation in the courts. The Supreme Court of Canada on November 23, 1977 ordered that Norcen was entitled to recover monies from the Province of Saskatchewan paid by way of mineral income tax and royalty surcharge with interest thereon and court costs.

Subsequent to the Supreme Court decision the Province enacted The Oil Well Income Tax Act, 1978 (the "Act") which was proclaimed on September 1, 1978. The tax imposed by this Act, which is retroactive to January 1, 1974, could exceed by \$2,600,000 the liabilities provided for under the earlier legislation for the retroactive period commencing January 1, 1974 and ending August 31, 1978.

The Province has proposed an assignment and quitclaim agreement whereby the Province would accept in satisfaction of liabilities owing by the Company under the Act for the retroactive period all payments previously made by the Company under the earlier legislation. The Company has filed such an assignment and quitclaim but has not as yet been notified of its acceptance or otherwise.

### NOTE 4 DIRECTORS' FEES

1978 general and administrative expenses include directors' fees of \$7,300.

### NOTE 5 SUBSEQUENT EVENT

Effective March 2, 1979 the Company concluded an earlier arrangement to acquire, for a total consideration of \$11,825,000, an interest in certain oil and gas properties. Of this total amount, \$3,208,000 had been expended to December 31, 1978.



# PRAIRIE OIL ROYALTIES

COMPANY, LTD.

## COMPARATIVE SUMMARY

FOR THE YEARS ENDED December 31

|  | <u>1978</u>                    |                                | <u>1977</u>                    |                                | <u>1976</u>                    |                               | <u>1975</u>                   |                               | <u>1974</u>                    |                               |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|
| <b>Revenue (\$000)</b>                         |                                |                                |                                |                                |                                |                               |                               |                               |                                |                               |
| Oil sales                                      | \$                             | 529                            | \$                             | 378                            | \$                             | 312                           | \$                            | 253                           | \$                             | 194                           |
| Gas sales                                      |                                | 2,191                          |                                | 1,370                          |                                | 1,050                         |                               | 852                           |                                | 415                           |
| Royalties                                      |                                | 930                            |                                | 983                            |                                | 688                           |                               | 477                           |                                | 665                           |
| Interest & Other                               |                                | 675                            |                                | 710                            |                                | 446                           |                               | 152                           |                                | 152                           |
|  |                                | <u>4,325</u>                   |                                | <u>3,441</u>                   |                                | <u>2,496</u>                  |                               | <u>1,734</u>                  |                                | <u>1,426</u>                  |
| <b>Expenses (\$000)</b>                        |                                |                                |                                |                                |                                |                               |                               |                               |                                |                               |
| Production                                     | \$                             | 421                            | \$                             | 321                            | \$                             | 201                           | \$                            | 163                           | \$                             | 160                           |
| General and administrative                     |                                | 216                            |                                | 188                            |                                | 135                           |                               | 108                           |                                | 97                            |
| Depletion                                      |                                | 556                            |                                | 364                            |                                | 294                           |                               | 316                           |                                | 354                           |
| Depreciation                                   |                                | 171                            |                                | 75                             |                                | 39                            |                               | 23                            |                                | 50                            |
|  |                                | <u>1,364</u>                   |                                | <u>948</u>                     |                                | <u>669</u>                    |                               | <u>610</u>                    |                                | <u>661</u>                    |
| <b>Income before Income Taxes (\$000)</b>      |                                | \$2,961                        |                                | \$2,493                        |                                | \$1,827                       |                               | \$1,124                       |                                | \$ 765                        |
| <b>Income Taxes (\$000)</b>                    |                                |                                |                                |                                |                                |                               |                               |                               |                                |                               |
| Current  |                                | (424)                          |                                | 232                            |                                | 147                           |                               | (6)                           |                                | (44)                          |
| Deferred                                       |                                | 1,226                          |                                | 509                            |                                | 434                           |                               | 325                           |                                | 295                           |
|  |                                | <u>802</u>                     |                                | <u>741</u>                     |                                | <u>581</u>                    |                               | <u>319</u>                    |                                | <u>251</u>                    |
| <b>Income before extraordinary item</b>        |                                | 2,159                          |                                | 1,752                          |                                | 1,246                         |                               | 805                           |                                | 514                           |
| Extraordinary item                             |                                | —                              |                                | —                              |                                | 4,294                         |                               | —                             |                                | —                             |
| <b>Net Income (\$000)</b>                      |                                | <u>\$2,159</u>                 |                                | <u>\$1,752</u>                 |                                | <u>\$5,540</u>                |                               | <u>\$ 805</u>                 |                                | <u>\$ 514</u>                 |
| <b>Earnings Per Share</b>                      |                                |                                |                                |                                |                                |                               |                               |                               |                                |                               |
| Before extraordinary item                      |                                | \$1.10                         |                                | 89c                            |                                | 63c                           |                               | 41c                           |                                | 26c                           |
| After extraordinary item                       |                                | \$1.10                         |                                | 89c                            |                                | \$2.82                        |                               | 41c                           |                                | 26c                           |
| <b>Cash Flow before extraordinary item</b>     |                                |                                |                                |                                |                                |                               |                               |                               |                                |                               |
| (\$000)  |                                | \$4,112                        |                                | \$2,700                        |                                | \$2,013                       |                               | \$1,469                       |                                | \$1,213                       |
| Per Share                                      |                                | \$ 2.10                        |                                | \$ 1.38                        |                                | \$ 1.03                       |                               | 75c                           |                                | 62c                           |
| <b>Expenditures (\$000)</b>                    |                                |                                |                                |                                |                                |                               |                               |                               |                                |                               |
| Exploration and property acquisitions          |                                | \$6,047                        |                                | \$2,099                        |                                | \$1,282                       |                               | \$ 897                        |                                | \$1,095                       |
| Plant and equipment (net after sales)          |                                | \$1,016                        |                                | \$1,061                        |                                | \$ 477                        |                               | \$ 136                        |                                | \$ 48                         |
| Shares issued and outstanding                  |                                | 1,961,520                      |                                | 1,961,520                      |                                | 1,961,520                     |                               | 1,961,520                     |                                | 1,961,520                     |
| <b>Market Price Ranges of Shares (U.S. \$)</b> | High                           | Low                            | High                           | Low                            | High                           | Low                           | High                          | Low                           | High                           | Low                           |
| American Stock Exchange 1st Quarter            | 19 <sup>1</sup> / <sub>8</sub> | 13 <sup>3</sup> / <sub>8</sub> | 11 <sup>1</sup> / <sub>2</sub> | 8 <sup>7</sup> / <sub>8</sub>  | 6                              | 3 <sup>1</sup> / <sub>2</sub> | 4 <sup>3</sup> / <sub>4</sub> | 2 <sup>3</sup> / <sub>8</sub> | 11 <sup>3</sup> / <sub>4</sub> | 6 <sup>3</sup> / <sub>4</sub> |
| 2nd Quarter                                    | 16 <sup>1</sup> / <sub>8</sub> | 12 <sup>1</sup> / <sub>2</sub> | 10 <sup>3</sup> / <sub>8</sub> | 8 <sup>1</sup> / <sub>4</sub>  | 8 <sup>1</sup> / <sub>4</sub>  | 4 <sup>3</sup> / <sub>4</sub> | 5 <sup>1</sup> / <sub>2</sub> | 3 <sup>1</sup> / <sub>8</sub> | 7 <sup>1</sup> / <sub>8</sub>  | 4 <sup>5</sup> / <sub>8</sub> |
| 3rd Quarter                                    | 17 <sup>3</sup> / <sub>8</sub> | 12 <sup>3</sup> / <sub>4</sub> | 14 <sup>7</sup> / <sub>8</sub> | 8                              | 7 <sup>3</sup> / <sub>4</sub>  | 6 <sup>1</sup> / <sub>8</sub> | 4 <sup>7</sup> / <sub>8</sub> | 3 <sup>1</sup> / <sub>4</sub> | 5 <sup>3</sup> / <sub>8</sub>  | 3                             |
| 4th Quarter                                    | 17                             | 10 <sup>7</sup> / <sub>8</sub> | 20 <sup>3</sup> / <sub>8</sub> | 13 <sup>1</sup> / <sub>2</sub> | 11 <sup>1</sup> / <sub>8</sub> | 6 <sup>3</sup> / <sub>8</sub> | 4                             | 3                             | 5 <sup>1</sup> / <sub>8</sub>  | 2 <sup>1</sup> / <sub>4</sub> |

